

THE COST OF LIVING

- *How is the 'Index' compiled?*
- *How much have prices risen?*
- *Why have prices risen?*

6^d.

HX
632
A1
W9
NO. 1141

MAIN

UR RESEARCH DEPARTMENT,
HO SQUARE, LONDON, W.1.

COST OF LIVING

Everybody knows that the cost of living is rising ; almost every week the price of something goes up.

According to the Interim Index of Retail Prices (the nearest guide to a working-class cost of living index) the cost of living stood at 124 in May 1951, in other words it was 24 per cent. above June 1947, when the index first came in. This means that, according to the official figures, to buy goods which cost £1 in June 1947, you now need £1 4s. 9½d., or a worker who earned £6 a week in June 1947 needed £7 8s. 9d. in May 1951 to maintain the same standard.

Over the last twelve months prices have been rising much more quickly than in the three years previously. In May 1950 the cost of living Index stood at 114 compared with 124 in May 1951,—a rise of 9 per cent.

The shopper may think, and with reason, that prices have gone up much more than 9 per cent. during the year; some light can be thrown on how the figure is arrived at if the Index is broken down into its separate items.

Below we give the May 1950 Index figure, the May 1951 Index figure; the percentage increase between May 1950 and May 1951, and the amount of money needed in May 1951 to buy goods which cost £1 in May 1950.

JUNE 1947=100	Index figure May 1950	Index figure May 1951	% increase May to May	Present cost of £1 in May 1950		
				£	s.	d.
All items	114	124	9	1	1	9½
Food	124	135	9	1	1	9½
Rent and Rates	101	104	3	1	0	7
Clothing	119	137	15	1	3	0
Fuel and Light	116	127	9	1	1	9½
Household durables	111	133	20	1	4	0
Miscellaneous goods	113	130	15	1	3	0
Services	108	116	7	1	1	4½
Drink and Tobacco	104	107	3	1	0	7

It can be seen from this table that certain items have gone up by much more than 9 per cent.—in particular, clothing 15 per cent. ; miscellaneous goods, 15 per cent. ; household durable goods, 20 per cent.

During the last few weeks prices have been rising more quickly than at any time since June 1947, this is reflected in the Index, which is given in detail for certain items at the end of this pamphlet. It will be noticed that between April 17th and May 22nd (the dates for which the Index was compiled) the Index for all items went up by 3 points, which is a bigger jump than in any other single month. The food item went up 4 points, and some of the reasons for this can be seen in the table of food prices below.

	Old Price		New Price		Date of increase
	s.	d.	s.	d.	
Tea per lb.	3	4	3	8	May 20th
Tea per lb.	3	6	3	10	
Butter per lb.	2	0	2	6	
Lard and cooking fat per lb.	1	0	1	4	" "
Dripping per lb.	1	0	1	3½	" "
Margarine per lb.	10		1	2	" "
Coffee per lb.	3	6	4	4	May 22nd
Sultanas per lb.	1	3	1	4	May 6th
Unstoned raisins per lb.	1	0	1	1	" "
Stoned raisins per lb.	1	1½	1	2½	" "
Dried apples per lb.	1	6	1	9	" "
Other dried fruit per lb.	1	9	2	0	" "
Sild, per ¼lb. tin	9½		11		May 19th
Sponge mixture, per packet	5½		6½		May 21st
Cake flour per packet	5½		6½		" "
Lemonade powder per packet	8		10½		May 5th
Table Jellies (Tablets)	8½		9		June 3rd
Table Jellies (Crystals)	6½		8		" "

In addition to these, prices of many brands of sauces, pickles, custard powders, porridge oats and so on went up.

It is important to remember that there is a time-lag between the actual rise in price and the publication of the Index. That is to say, while most of the above price increases occurred in May, the Index figure in which the increase was reflected was not published until the end of June ; those which take place in June will not appear in the Index until the end of July and so on.

The details of each group of items in the Index are published monthly in the *Ministry of Labour Gazette*.

Is the Index Accurate?

Apart from this question of the time-lag, does the Index really reflect accurately changes in the cost of living ?

The Index is based on the Ministry of Labour Survey of working-class budgets carried out in 1937-8. The actual items bought and the proportion of total expenditure that each group of items formed were adjusted to take account of the broad changes in prices between that date and June 1947.

In assessing the adequacy of this admittedly temporary Index there are certain factors that have to be taken into account.

(1) It is much fairer than the old Cost-of-Living Index in use up to 1947 for which the items were so limited as to make it almost valueless. On the other hand, while the present Index does cover a vast range of goods on which working-class families actually spent money in 1937-8, it cannot and does not attempt to take account of changes in the pattern of expenditure since then, many of these changes having been due to rationing.

(2) Though a very large number of goods are covered, there are some goods in common usage which are left out ; moreover the Index takes no account of *substitutes* for items which are in short supply.

(3) The Index is in certain respects affected by changes in quality of goods.

Goods Which are Left Out and "Substitutes"

It is clear that if a large number of goods which the working class normally buys are left out of the Index, any increase in the price of such goods pushes up the cost of living without affecting the Index at all.

Examples of items that do not appear in the Index are, in the food section, rice, sago, semolina, fish and chips, pepper, mustard, pickles, pies, coffee, tinned peas and tinned soups, sardines, etc. Indeed, the only tinned foods which are in the Index are red salmon, baked beans, plums, and corned beef. The only fresh fruit are cooking apples, oranges, and bananas—the latter almost unobtainable until quite recently.

In the clothing section there is a formidable list of items which, nevertheless, omits belts, scarves, ties, handkerchiefs, brassieres, nightgowns and all cotton clothing materials.

Again in the "Household Durable Goods" section is a lengthy list which, however, leaves out tablecloths, pillow cases, dustpans, frying pans, shovels, clothes-horses, mops, dusters, dishcloths, tin openers, etc.

The "miscellaneous goods" section leaves out toilet rolls, toothbrushes, darning wool, needles, pins, sewing cotton, pens, ink, pencils, string.

It is not suggested that if all these items were included they would necessarily make any great differences to the rise and fall of the Index figure—the point is that their omission emphasises the inadequacy of the Index.

There is one section, however, for which omissions matter a great deal—namely, rent and rates. In the Index, no account is taken of furnished lettings, and, as far as can be judged, new council house rents are not con-

sidered. Yet more and more people are being housed relatively expensively in new council houses. It is perfectly clear that if these items were taken into consideration the rent item in the Index would have risen much more than is shown. *

A more serious question is that of substitutes. It stands to reason that if certain goods in the Index are in short supply, the proportion of expenditure actually devoted to them will fall, and the money will usually be spent on a substitute—often a more expensive substitute.

This can best be illustrated in the case of meat. When the meat ration was severely cut last winter, it is true that the poorest families went without, but everybody who could afford it bought rabbits, and even cooked ham and tinned meats. This was much more expensive than buying meat, but the Index did not register any increase in the cost of living on that account. Rabbits are in the Index and therefore a change in their price is recorded, but not an increase in the amount consumed. Ham, poultry and tinned meats on the other hand are not in the Index at all.

In this matter of substitutes, therefore, the Index is inadequate.

Changes in Quality

When a change in quality of the goods in the Index takes place without an increase in price this may nevertheless cause a rise or fall in the Index. How far in fact this sort of thing has been carried out is not made public. But there is one glaring example—that of drink and tobacco.

In looking at the table in the first part of this article, it will be noted that in May 1950 the drink and tobacco item stood at 104. It so happens that in April 1950, the month before, it stood at 107.5, which would lead any ordinary person to the conclusion that between these two months the price of drink and tobacco went down. In actual fact nothing of the sort happened, yet the Index figure showed a sudden reduction of $3\frac{1}{2}$ points. In June 1950, the Ministry of Labour explained this strange phenomenon, as follows :

“As a result of a change in the Customs and Excise duties . . . brewers were able to provide for a general increase in the average strength of beer without a corresponding increase in price. The effect of this change in quality was to lower the index for beer prices.”

In other words, though the price of beer remained exactly the same, the Index showed a totally fictitious drop in the prices. Had this not been done, the drink and tobacco Index would now stand at 110 instead of 107. Moreover the *total* Index would be affected ; the Index figure for all items would be just under 125, instead of 124.

There are other fields in which there have been quality changes and it is very important to know what the effect of these on the Index has been, but we have very little information. It is well known for instance that in the summer of 1950 the quality of some of the utility woollen cloths was lowered, partly by reducing the weight of the cloth and partly by introducing rayon into them (see *Labour Research*, September 1950). If suits made of these cloths were included in the Index was this lowering of quality taken as equivalent to a rise in price, as, on the beer precedent, it should have been? We do not know.

A different question arises when the range of cloths alters. Over the last year many new, and often more expensive kinds of woollen cloths have been introduced into the utility range, and some of the cheaper cloths are no longer being made. The explanatory booklet on the Index(†) says that :

“When it becomes impossible to continue to quote prices for any particular article, the retailer is asked to substitute the price of another and to supply such particulars as are necessary to enable the effect of the change in quality, if any, to be allowed for when comparing the actual price quotations.”

* In the December issue of *Labour Research* an article suggested that the rent item should be at least 4.5 points above its present level, i.e., it should now stand at over 108. This would make a difference of less than half a point to the total Index however.

† *Interim Index of Retail Prices* (H.M.S.O. 6d.)

Supposing a cheaper utility suit disappears and a dearer, better-quality one takes its place, do the indexers "allow for" the improvement in quality by showing only part of the increase in price which the shopper is compelled to pay?

There are indications that the clothing section of the index does in fact show a smaller increase than the worker's budget would show.

The Times, in a leading article on November 20th, 1950, wrote :

"The official statistics of personal expenditure indicate that the selection of clothes actually bought in the spring of this year showed an average rise in price of 5 per cent. above last year's price, whereas the index shows an increase of only 1 per cent."

The Weights

Each group of items in the Index is "weighted", *i.e.*, it is assumed that a certain *proportion* of expenditure goes on each item. Thus it was assumed when the Index was started that about 35 per cent. of total expenditure went on food and about $6\frac{1}{2}$ per cent. on fuel and light. If certain items are over-weighted (*i.e.*, assumed to represent a higher proportion of expenditure than they actually do) and stay stable in price while other articles which are under-weighted go up, this means that the Index does not show the rise that it ought to do.

For example to return to food for a minute, within the food section, meat and bacon were definitely estimated to be overweighted *before* last winter's ration cut ; other items were coal and coke and soap. On the other hand electricity and entertainments have been thought to be underweighted.*

There is every reason to believe that the drink and tobacco item is seriously over-weighted for working-class families. Unlike the other items in the Index, the weight given to these items was not actually based on what the household budgets revealed in 1938 ; it was held on the basis of National income figures that the families concerned did not give a correct return of what they spent under this heading.

As the Index now stands it is assumed that just under one-fifth (18.7 per cent.) of total expenditure goes on these items. This means for a working-class family where the wage earner brings home £7 10s. a week, 28s. a week is spent on drink and tobacco. And because the item remains stable (or goes down fictitiously) this again affects the whole Index.

If we take all items together with their present weights, but omit drink and tobacco, the index is not 24 per cent. above June 1947, but over 29 per cent. above. Moreover the rise in the cost of living in the year May 1950-May 1951 is not 9 per cent. but 10 per cent. Non-drinkers and non-smokers can console themselves with the thought that for them the official index shows at least these increases.

Is There Going to be a New Index?

The fact that the Index is inaccurate when applied to the cost of living of today is recognised by the Government, and at the end of last year the Minister of Labour announced that he was calling together the Advisory Committee to ask them to consider whether conditions of spending could now be considered to be sufficiently stable to justify the holding of a new full-scale budget enquiry.

It is not yet known what the opinion of the Advisory Committee is likely to be ; if a full-scale budget enquiry is decided upon, this will presumably take a considerable time to prepare and undertake. We can therefore assume that no new Index will be brought in for some time yet.

It is, however, worth considering what changes might be introduced.

One suggestion that has been made is that there should be more than one Index—perhaps one for "working-class" and one for "middle-class". This has obvious dangers.

* Dudley Seers, *Oxford Bulletin of Statistics*, January 1949.

Different indexes for different sections of the population, and particularly the suggestion of an Index covering bare necessities only, can lead to support for the idea of a fodder basis. If the actual expenditure of old age pensioners is investigated, it will no doubt be found that few of them go to the pictures, but does this mean that an increase in cinema prices should be of no concern to those who can manage it?

The biggest defect in the present Index is that the information available to the public is totally insufficient. The details of the goods included are insufficient, no specifications are published, nor are the actual prices taken to be current at any time. If these facts were given confidence in the Index would bound upwards, because people would be able to check things for themselves. We know, for instance, that three grades of women's overcoats are priced, but we do not know which three grades, and since between August and October 1950 overcoats made of cloth No. 208 stayed unchanged at 103s. 2d., while coats made of 209/1 rose from 118s. 7d. to 154s. 1d., this question is obviously of importance.

American trade unions are able to criticise their consumers' Price Index in an informed way precisely because more details are available. Complete specifications of the goods included in the Index, including any changes which are made, are published.

Will Prices go on Rising?

The "Economic Survey for 1951" forecast that in 1951 prices over the whole field of personal consumption would 'average $7\frac{1}{2}$ per cent. above 1950 —this is the implication contained in the Survey. But this is for the year *as a whole*. Dudley Seers has estimated (*Manchester Guardian*, May 21st), that by the end of the year the rise will be about $12\frac{1}{2}$ per cent. Seers has also estimated that by December 1951, the working-class cost of living Index will be up to at least 130 next December, "and, if asked for a guess, I would pick on 135, or a 15 per cent. rise during the year". Sir Hartley Shawcross, however, hinted that the steepest increases would be in the immediate future rather than at the end of the year when he said on June 1st that "the cost of living might still go up a few points before things levelled out".

The Effect of Wholesale and Import Prices

Retail prices, or what we pay in the shop, come at the end of a long process, which we have described in *Over the Counter ; a Survey of Distribution* (L.R.D., 6d.). They go through many changes ; and often many hands.

One guide to the future course of retail prices is to look back along the pipe-lines, and, for Britain, those pipe lines spread across the world. The price at which goods come into this country is recorded at the ports. The prices of imported goods have been going up in recent months. For April of this year they were as follows :—

PRICES OF IMPORTS (1950 = 100)			
	Dec. 1950	April 1951	Increase
Total	113	136	20%
Food, Drink, Tobacco	103	112	9%
Raw materials	124	169	36%
Manufactured goods	109	123	14%

The danger signal is the rise in raw material prices ; raw materials enter into every industrial process, and since the beginning of the year their price has risen by 36 per cent. The new Argentine meat agreement is not yet reflected in the food item above. The rising prices of imports (together with higher prices of home produced goods such as coal, steel, farm produce, etc.), are reflected in rising wholesale prices which in May 1951 were 22 per cent., or over one-fifth, above the average for 1950 ; the increase in

wholesale prices has in turn to be absorbed into retail prices. It is clear that retail prices have still some way to go before even the existing level of wholesale prices is fully reflected.

Wholesale prices, of course, reflect higher prices of British produced goods, as well as those of imported goods. Certain wholesale figures (manufacturers' price indices) are now published by the Board of Trade. We give items that affect retail shops (1949=100).

	1950	1950 Dec.	May 1951	Increases last 5 mths.
Total (all)	114	127	139	6%
Food and Tobacco	113	116	123	6%
Cereals	119	129	145	12%
Meat, fish, eggs	111	118	106	-10% ⁽²⁾
Basic materials (not food, not fuel) ⁽¹⁾	139	177	202	14%
Coal	101	102	110	8%
China and earthenware	101½	103	113	9%
Cutlery	101	102	110	8%
Rayon	131	157	185	18%
Brewing	—	92	92	—
			(April)	
Rubber tyres and tubes	123	146	180	23%
Brushes and brooms	104	116½	151	30%
Cotton yarn	142	187	219	17%
Hides and skins	129	177	178	—
Palm oil	101	101	110½	9%
Molasses	96	103	240	133%
and certain overall indices are also given :—				
Materials used in mechanical engineering	113	126	131	4%
Electrical machinery	122	142	150	6%
Building and civil engineering	106	111	125½	13%
House building	105	108½	124	15%
As a comparison we may put in the retail price index	102½	105½	111	6%

(1) June 1949=100.

(2) The figure for last May was 1 per cent. higher. This figure will presumably go up when Argentine meat supplies come in.

It will be seen that, with exceptions, wholesale prices have risen on a 1949 base line in the proportion of 4 : 1 to retail prices. In the last five months the overall increase has kept pace in both indices, but it is also apparent that certain items of manufacturers' prices have risen faster than the retail Index. As we now know that higher prices in the shops have to be paid for by consumers (as subsidies are not to be increased), it is likely enough that the cost of living Index will continue to rise.

What is not so clear is whether basic and import prices are going to go on rising indefinitely. To estimate this we need to examine why they have risen so rapidly in the last nine months.

Why are Prices Rising?

The causes of the present increases in world prices are twofold, according to the official United Nations Report, *Economic Survey of Europe 1950*. They are first the high degree of U.S. consumption of raw materials. And next the effect of re-armament. The Report shows :

"That world production (and production in Europe) rose by 13 per cent. in 1950, but this rapid rise, stimulated mainly by the expansion of output in the United States, was not supported by an increase in the production of raw materials. A substantial increase in supplies of raw materials is needed to support any further rise in industrial output, and probably also to maintain even the existing level. The weakening of the commodity markets in 1949 was generated mainly by the recession in the United States which caused primary producers to adjust themselves to an abnormal condition, thus distracting attention from the long-term problem created by the doubling of United States output since the war. Rearmament therefore created a much more serious deficiency. . . . Open inflation, therefore, will probably occur which will affect all areas, add to the pressure of world inflation, and be an additional influence on European prices

and European exports. . . . The pressure of world inflation is likely to be further increased this year as a result of conditions in the United States, where excess purchasing power is likely to reach \$13,000m."

The specific effect of world re-armament was referred to by Mr. Gaitskell in his Budget speech. He spoke of the conflict in international relations,

"which, working through the huge demands of re-armament everywhere has forced up the prices of materials and food through the world." (April 10th.)

A substantial change in these world price trends cannot therefore really be expected unless there is either a change in international relationships or a reduction in consumer demand in the U.S.A. *

At present the U.S.A. is making efforts to maintain consumption *and* to re-arm—to have what the American Production Chief calls "guns and the whole cow". Moreover the American re-armament programme includes intensive stockpiling of materials; this creates a world shortage of the materials concerned and their prices rise. To take an example, that of wool, which according to the U.S. Munitions Board is at the head of the priority list for stockpiling. The U.S. programme for stockpiling is about equal to 25 per cent. of the annual world production of wool. And it was reported in February that, *apart* from stockpiling, the U.S. Army Quartermaster was engaged in buying 100 million pounds of raw wool and wool in fabrics. It is not surprising therefore that in this country the price of blankets has trebled and the price of knitting wool is up by about 40 per cent. during the year.

Again there has been a sharp increase in rubber prices also due to heavy U.S. buying. This means for example an increase in the cost of tyres in this country involving increased costs for road transport undertakings and contributing towards the recent applications for higher fares. †

Factors Inside Britain

Within Britain itself, while the rise in import prices is the main factor influencing the present increase in the cost of living, Britain's own re-armament programme is also contributing to it in several ways.

In the first place, what Mr. Gaitskell described as the "massive defence programme" involving an expenditure of £1,490 million in 1951-2 will be financed partly out of taxation, which will include taxation on goods or services. Thus, the Government expects the increased tax on petrol announced in the last Budget to yield an additional £35 million a year in 1951-2 from this source. This has meant that the petrol costs of all road passenger transport undertakings have gone up, and, like tyres, is being used as a justification for putting up fares. Again, the new entertainment tax means that in August the cost of cinema seats will go up by 2d. on seats costing between 10d. and 2s. 10d., and more for the higher priced seats. About this Mr. Gaitskell said, "I do not think it unreasonable to look to expenditure on entertainment for some modest contribution to the heavy cost of defence."

With some goods on which new taxes are announced, the aim is not so much to raise money as to discourage people from buying goods which are made by industries which are required to switch to re-armament. Among these are wireless sets and valves and electric and gas domestic appliances, on which purchase tax has been increased from one-third to two-thirds. Mr. Gaitskell said:

"I need hardly say that I much regret having to increase the tax on many appliances which can do so much to make the life of women at home less exacting. But we cannot carry through our defence programme without giving up something, and . . . it is in this field especially—the consumer goods produced by

* In fact in the last three months we have seen the development of a certain degree of "consumer resistance" in U.S.A. to buying at the very high prices prevailing there.

† Actually the price of rubber and tin has now begun to fall because a few months ago the U.S.A. deliberately stopped buying in order to bring down the price. The same tendency has shown itself in wool since March.

the engineering industry—that the sacrifice must be made. We want to discourage people from buying these things, and if they insist on doing so, then I think we can reasonably ask them to make a financial contribution to defence.”

At the same time, the heavy cost of the defence programme has meant that there are less resources for subsidising essential foods. The Government is not reducing the food subsidies—which is what the Tories want them to do—they have, however, decided not to increase them.

Mr. Gaitskell put it this way :

“If the higher prices of imported raw materials and food are passed on to consumers, the burden is then spread on everyone according to the extra they have to pay and sacrifice in consumption comes about through higher prices. On the other hand, the Government could try to protect consumers from these higher prices by increasing the subsidies on food still further and introducing them again for clothing and many other things. But it would then be essential to raise more money in taxation to pay for these extra subsidies, and the burden would be shifted, and have to be paid through higher taxes rather than higher prices.”

Higher Profits

Finally at a time of rising costs and rising prices there is always a tendency for profits to rise. Mr. Gaitskell said :—

“There is no doubt that the level of company profits has recently been increasing rapidly. After a period of relative stability in 1948 and 1949, they are estimated to have increased in 1950 by nearly 14 per cent., as against a rise in money incomes generally of nearly 7 per cent. A further substantial increase in 1951, is, I think, certain.”

The *Economist, Records and Statistics* (May 5th, 1951 and January 27th, 1951), gives the results of 316 companies, reporting in the six months, October 1950, to March 1951, which are directly concerned with consumer goods. These include 73 textile companies, 36 newspaper, paper and printing companies and 207 in what are called the “consumption trades”, *i.e.*, breweries, clothing, footwear, entertainment, food and confectionery, hotels and restaurants, shops and stores and tobacco. The results compared with the previous year were as follows :—

	Total Income		£'000 Earned for Ordinary Capital	
	Prev. Year	Lat. year	Prev. Year	Lat. Year
Newspapers, paper and printing	18,957	23,799	1,593	2,251
Textiles	38,001	48,802	7,139	10,824
Consumption trades ..	133,390	139,981	23,520	30,460
	<u>190,348</u>	<u>212,582</u>	<u>32,252</u>	<u>43,535</u>

The item in the first two columns consists mainly of gross trading profits, together with relatively insignificant amounts of “other income”, *i.e.*, from investments, etc. The last two columns show what is left *after* depreciation, directors’ fees, preference dividends, and taxation ; *i.e.*, part of this sum is paid out in dividends to ordinary shareholders and the remainder put to reserve. We can see that the amount left for these ordinary shareholders rose from £32 million to £43 million.

In his recent Budget, Mr. Gaitskell has raised the rate of Profits Tax on distributed profits (*i.e.*, dividends) from 30 to 50 per cent., with the object of providing an incentive to companies to put profits to reserve rather than to increase dividends. This is in order to prevent a big increase in dividends adding to inflationary pressure, *i.e.*, more spending power in the pockets of shareholders itself helps to force prices higher because of increased demand for goods, whereas if the money is put to reserve it will not be spent until later.

But whether the profits are paid out or put to reserve this does not alter the actual margin of profit being made.

APPENDIX I

Below is a list (supplied to us by a large retailer) of the actual prices charged for certain articles before the war and in May 1950, November 1950 and May 1951. Every effort has been made to ensure that these articles are comparable in quality.

	Aug. 1939	May 1950	Nov. 1950	May 1951	Percentage increase May 1950 to May 1951
Clothing	£ s. d.	£ s. d.	£ s. d.	£ s. d.	%
Man's suit made to measure	3 15 0	7 7 10	7 7 10	14 10 10	97
Man's suit ready-made	2 10 0	5 7 8	5 7 8	9 2 6	67
Man's shirt	7 11	1 10 6	1 10 6	1 12 5	6
Man's socks	2 6	6 6	6 11	6 11	6
Woman's coat	1 12 6	5 0 0	5 0 0	6 2 11	23
Woman's wool frock	1 15 0	3 12 0	3 15 0	4 10 0	25
Woman's wool vest	1 11 ³ / ₄	7 6	8 5	8 5	12
Woman's stockings ..	2 11 ³ / ₄	4 9	5 4	7 4	54
Men's shoes	18 11	1 17 6	2 0 0	2 10 0	33
Women's shoes	1 1 0	2 2 0	2 2 0	2 12 6	25
Boy's shoes	7 11	18 11	1 0 6	1 6 0	37
Girls' shoes	4 11 ¹ / ₂	14 11	14 11	19 11	30
Men's shoe repairs (soled and heeled)	5 0	9 6	9 6	12 0	26
Women's shoe repairs (soled and heeled)	3 0	7 0	7 0	8 9	22
Knitting wool (per oz.)	9	1 9	2 5	2 5	38
Furniture					
Bedroom suite	21 0 0	78 13 6	78 13 6	84 13 0	7
3-piece suite	18 18 0	59 13 0	63 0 0	77 4 0	29
Dining-room suite ..	15 15 0	44 10 0	44 10 0	48 13 4	9
Spring interior mattress	2 18 6	9 12 0	9 19 8	10 8 0	8
Carpet	6 6 0	13 5 2	17 3 3	21 6 7	53
Household Goods					
Electric iron	9 9	18 6	18 6	18 6	—
Galvanised bucket ..	1 6 ¹ / ₂	3 6	4 11	4 11	40
Scrubbing brush	6	1 3	1 6	1 6	20
Saucepan	4 11	8 3	8 3	9 11	20
Dinner knives	1 11 0	2 13 2	2 13 2	2 19 0	11
Dessert spoons	18 0	1 18 6	2 0 0	2 2 6	10
Cup and Saucer	5	1 3	1 3	1 3	—
Glass tumbler	3	6	6	6	—
3-pint kettle	2 9	4 9	4 9	5 9	21
Net curtain material	9	4 0	4 6 ¹ / ₂	4 9	18
Table cloth	4 11	11 6	13 5	16 10	46
Sheets (per pair)	6 11	1 13 10	1 15 4	2 10 8	49
Pillow case	1 0 ³ / ₄	3 5	4 1 ¹ / ₂	4 4 ¹ / ₂	28
Blankets	1 7 11	3 12 0	5 19 4	10 0 0	178
Bath towel	1 6	4 9 ¹ / ₂	5 6	7 1	47

APPENDIX II

Interim Index of Retail Prices for all items, and for certain selected items, since 1947.

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1947 ..	—	—	—	—	ALL	ITEMS	101	100	101	101	103	104
1948 ..	104	106	106	108	108	110	108	108	108	108	109	109
1949 ..	109	109	109	109	111	111	111	111	112	112	112	113
1950 ..	113	113	113	114	114	114	114	113	114	115	116	116
1951 ..	117	118	119	121	124	—	—	—	—	—	—	—
FOOD												
1947 ..	—	—	—	—	—	100	101	99	100	101	103	103
1948 ..	104	108	109	109	108	113	108	107	107	108	108	108
1949 ..	108	109	108	108	114	115	116	116	117	119	119	120
1950 ..	120	121	121	122	125	123	122	121	122	125	125	125
1951 ..	127	127	128	131	135	—	—	—	—	—	—	—
CLOTHING												
1947 ..	—	—	—	—	—	100	101	102	101	102	102	102
1948 ..	103	104	105	106	107	108	110	112	113	114	115	115
1949 ..	116	117	117	118	118	118	119	119	119	117	117	117
1950 ..	117	117	118	118	118	119	119	120	121	122	123	124
1951 ..	126	128	131	134	137	—	—	—	—	—	—	—
HOUSEHOLD DURABLE GOODS												
1947 ..	—	—	—	—	—	100	102	102	102	103	104	106
1948 ..	107	108	108	107	108	107	108	108	108	108	109	109
1949 ..	109	109	109	109	108	108	108	108	108	108	108	108
1950 ..	108	110	110	111	111	111	113	113	113	114	116	117
1951 ..	120	124	126	128	133	—	—	—	—	—	—	—
FUEL AND LIGHT												
1947 ..	—	—	—	—	—	100	100	100	104	106	107	107
1948 ..	109	110	110	110	110	110	111	111	111	112	112	114
1949 ..	114	114	112	111	111	112	113	113	113	114	114	115
1950 ..	115	115	115	115	116	114	115	116	117	118	120	122
1951 ..	122	126	126	128	127	—	—	—	—	—	—	—
MISCELLANEOUS GOODS												
1947 ..	—	—	—	—	—	100	101	101	105	105	109	109
1948 ..	111	111	111	109	109	109	109	109	109	109	109	109
1949 ..	109	109	109	113	113	113	113	113	113	113	113	113
1950 ..	114	114	113	113	113	112	113	113	113	113	113	113
1951 ..	114	117	120	123	130	—	—	—	—	—	—	—

APPENDIX III

GOODS COVERED BY ORDERS INCREASING PERMITTED MAXIMUM PRICES
(BEGINNING OF MARCH TO MAY 1951)

Goods Affected	Maximum Price Increases	Goods Affected	Maximum Price Increases
Nurses' Utility Uniforms (cotton)	Per cent.	Utility Knitted Cloth and Garments of which :—	Per cent.
Utility Gaberdine Raincoats :—	12 to 25	Cotton goods	10*
Wool	2*	Silk goods	16*
Cotton	8 to 12	Wool goods	20*
Pram Rugs	22 to 30	Utility Lace and Woven Curtain Net	9 to 38
Carpets	5 to 25	Utility Gaberdine Raincoats :—	
Utility Industrial Overalls and Merchant Navy Uniforms ..	5 to 21	Wool	20*
Utility Knitted Cotton Cloth ..	4	Cotton	2*
Utility Knitted Astrakhan Stockinette	15	Utility Stools	7½
Utility Knitted Silk and Rayon Stockings	9 to 13	Men's and Boys' Utility Shirts, Underwear and Nightwear :—	
Men's, Youths' and Boys' Utility Outerwear :—		Knitted Rayon	4 to 8
Garments made from cheaper cloths	6 to 28	Linoleum	6 to 10½
Utility Braces	17½ to 27	Printed Felt Base	10
Men's and Boys' Utility Shirts, Underwear and Nightwear :—		Women's and Maids' Utility Outerwear :—	
Cotton	15*	Certain Cotton Garments ..	7½ to 15
Wool	25*	Certain Utility Corsets ..	3 to 6
Corsets	5 to 30	Perambulators	12½
General Hollow ware :—		Utility Woven Rayon Apparel Cloths	3½ to 16½
Tinned Steel	19	Women's and Maids' Utility Underwear and Nightwear :—	
Galvanised	2	Knitted Rayon Garments ..	6 to 8
Utility Handkerchiefs	2½ to 15	Certain Cotton Garments ..	7½ to 15
Women's and Maids' Utility Outerwear :—		Men's, Youths' and Boys' Utility Outerwear	Up to 28
Wool	23*	Utility Woven Blankets ..	15
Rayon	10*	Women's Utility Domestic Overalls and Aprons :—	
Men's and Boys' Utility Shirts, Underwear and Nightwear :—		Rayon	8 to 10
Certain cotton garments ..	2 to 5	Cotton	2½ to 5
Utility Apparel Cloths :—		Most Infants' and Girls' Utility Light Outerwear	11 to 20
Cotton, Cotton Mixture and Linen	2½ to 15	Candles (common paraffin wax)	20
Utility Household Textiles ..	3½ to 15	Non-upholstered Utility Furniture :—	
Cast-Iron Hollow ware ..	10 to 22½	Spring Mattresses	7½ to 15
		Cane and Woven Fibre Furniture	5 to 39
			14 to 20

* Estimated Average Increase

APPENDIX IV PRICES, WAGES AND PROFITS IN RELATION TO PRE-WAR

Year (1)	Total Prices (2)	Food (3)	Drink, Tobacco (4)	Clothing, Household Miscellaneous (5)	Wage Rates (6)	Earnings Hourly Male (7)
1913	64	71	N.A.	N.A.	50	N.A.
1919	138	156	N.A.	N.A.	105	N.A.
1920	160	182	107	N.A.	125	N.A.
1921	145	163	110	N.A.	137	N.A.
1924	112	121	99	N.A.	96	N.A.
1926	110	117	90	N.A.	96	N.A.
1929	165	110	100	N.A.	95	N.A.
1933	90	85	104	N.A.	90	N.A.
1935	92	89	101	N.A.	91	(88)
1938	100	100	100	100	100	100
1945	148	127	235	176	—	169
1946	150	129	241	175	—	175
1947	160	137	274	182	166½	190
1948	173	149	311	196	176½	204
1949	178	157	308	205	183½	210
1950	184	169	299	209	185	218
1951 {	April 195	—	—	—	196½	—
May	200	—	—	—	—	—

	Industrial Profits (8)	Dividend % (9)	Terms of Trade (10)	Production Industrial (11)	Gross National Income market prices £m (12)
1913	N.A.	N.A.	142	—	—
1919	N.A.	N.A.	123	—	—
1920	N.A.	N.A.	113	80	—
1921	N.A.	N.A.	101	54	—
1924	N.A.	N.A.	116	76	—
1926	N.A.	N.A.	116	66	—
1929	N.A.	N.A.	119	88	—
1933	N.A.	N.A.	95	81	—
1935	84	7.4	100	98	—
1938	100	9.8	100	101	5,841
1945	109	11.2	107	—	—
1946	133	12.4	108	100	10,208
1947	168	15.5	116	109	10,989
1948	183	14.6	117	121	12,124
1949	191	14.5	117	129	12,933
1950	229	14.9	126	138	13,572
1951 (1st qtr.)	—	18.5	143	141	14,500

These figures are taken from London and Cambridge Economic Service, except for wage rates 1945 seq. Production figures exclude finished munitions. The figure including munitions is about 5 per cent. higher for 1950. The index for profits for 1950 (8) is our estimate ; we have added 20 per cent. for 1950 on the basis of the *Financial Times* figures.

APPENDIX V

Prices of all goods marketed in U.K.

This index is compiled by the Treasury (or deduced from the Treasury figures) and covers the whole range of expenditure, not simply the change in prices of the 1938 working-class 'budget'. From this have been compiled middle-class indices and indices of other sections (see Dudley Seers "Levelling of Incomes"). The figure for yearly averages was :

(1938=100)	All Items	Food
1948	182	166
1949	186	171
1950	191	183
1950 (iv qtr.)	196	181

PURCHASING POWER OF THE £

Taking 1914 as a base				Taking 1938 as a base				Taking 1945 as a base †			
			s. d.				s. d.				s. d.
1914..	..	..	20 0	1938 ..	..	..	20 0	1945 ..	..	..	20 0
1938..	..	..	12 10	1948 ..	..	..	11 0	1946 ..	..	..	19 6
1950..	..	..	6 8					1947 ..	..	..	18 3
*1951 (April)	..	..	6 4	1950 ..	..	..	10 5	1948 ..	..	..	16 11
*1951 (May) ..	..	..	6 2					1949 ..	..	..	16 7
				1951 (May) ..	..	..	9 7	1950 ..	..	..	16 10

The above figures are based on the price of all consumer goods and services except those marked with an asterisk (*) which are based on the retail index. † Published in *Hansard*, May 1

World Prices as reflected in U.S.A. index of price of primary commodities.

	1947	1948	1949	1950 1st	2nd	Feb.	1951 Mar.	April	Mid-May
All	295	294	230	232	299	357	349	342	339
Domestic goods ..	318	322	232	230	288	336	329	324	321
Agricultural	332	333	270	285	325	380	377	372	369
Domestic and import									
Foodstuffs	354	352	259	284	326	364	358	354	355
Raw materials ..	256	258	223	210	288	352	344	337	331
Import goods	263	256	228	233	318	394	382	373	368
U.K. import (1) ..	210	244	227	200	256	301	296	299	296

There was a fall in 1949 ; a slight rise in some prices in the first half of 1950 ; a sharp rise in the second half carried into the Spring of 1951, but since then a drop not to early 1950 levels, but below the Feb.-March peak.

